

Message Text

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ORIGIN EA-10

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APPROVED BY EA/IMS:EDWARD C. INGRAHAM

L/EA - MR. ROH

L/C - MR. HENDERSON

EB/IFD/OIA - MR. BRODERICK

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

LIMITED OFFICIAL USE STATE 127693

E.O. 11652: N/A

TAGS: CPRS, EINV, ID

SUBJECT: FOREST PRODUCTS CORP COMPLAINT

REF: A) JAKARTA 6020 B) STATE 112557

1. EA/IMS CONTACTED BY PEDERSEN AGAIN MAY 27. HE REPORTS HIS COMPLAINT IS NOW "IN HANDS OF LAWYERS" AND THAT A SUIT WILL BE FILED IN A FEDERAL COURT IN TEXAS IN NEXT TWO OR THREE WEEKS AGAINST MITSUI U.S. SUBSIDIARY, CHARGING INTERALIA THAT MITSUI ILLEGALLY INTERFERED WITH FOREIGN COMMERCE OF FOREST PRODUCTS. ALLEGATIONS WILL BE MADE THAT MITSUI DID NOT ABIDE BY LAWS OF INDONESIA, AND AS EVIDENCE IS PRESENTED, ASPERSIONS ARE LIKELY TO BE CAST ON COURTS AND IMPLEMENTATION OF COURT DECISIONS IN INDONESIA. ABOUT SAME TIME, FOREST PRODUCTS LAWYERS PLAN TO REQUEST ARBITRATION OR CONCILIATION SERVICES OF INTERNATIONAL CENTER FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID). ARTICLE 14 OF JULY 1, 1971 AGREEMENT BETWEEN GOI DEPARTMENT OF

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AGRICULTURE (SIGNED BY DIRECTOR GENERAL SOEDJARWO), FOREST PRODUCTS AND P.T. TELAGA MAS KALIMANTAN COMPANY PROVIDES

THAT DISPUTES BETWEEN FORESTRY DEPT AND JOINT VENTURE WHICH CANNOT BE SETTLED AMICABLY MAY BE SETTLED UNDER ICSID RULES. (GOI'S ADHERENCE TO ICSID CONVENTION INCORPORATED INTO INDONESIAN LAW THROUGH LAW NO. 5 OF 1968).

2. PEDERSEN KNOWS OF SUHARTO'S VISIT TO U.S. IN JULY AND HINTED AT PUBLICITY ADVERSE TO INDONESIA. HE PRESUMABLY HAS IN MIND A WALL STREET JOURNAL ARTICLE.

3. PEDERSEN ALSO SAID HE HAS SPOKEN WITH PERSONS IN CONGRESS, WHOM HE DECLINED TO NAME, AND INDICATED HE AWARE OF HICKENLOOPER AND GONZALES AMENDMENTS AS THEY APPLY TO REPUDIATED AND NULLIFIED CONTRACTS AND AGREEMENTS. PEDERSEN REMARKED THAT JAMES ROOSEVELT, A "PRINCIPAL STOCKHOLDER", HAS EXPRESSED A DESIRE TO GET INTO "HEAVY POLITICKING" ON THIS CASE BUT HAS BEEN PERSUADED TO HOLD OFF. JOHN CONNALLY'S NAME WAS ALSO DROPPED.

4. PEDERSEN ASSERTS HE IS DETERMINED TO "TAKE THIS CASE ALL THE WAY". HE CLAIMS GOI FORESTRY DEPT OFFICIALS TALKED HIM OUT OF ARBITRATION TWO YEARS AGO, STATING THEY DID NOT WANT ADVERSE PUBLICITY. THEY URGED HIM TO GO THROUGH INDONESIAN COURTS, WHICH HE HAS DONE WITHOUT ACHIEVING HIS OBJECTIVE -- REVALIDATION OF JULY 1, 1971 FORESTRY AGREEMENT. (PARA ONE REF A SEEMS TO BEAR HIM OUT). GOI ATTITUDE LEAVES HIM, HE STATES, WITH NO CHOICE BUT TO TAKE LEGAL ACTIONS MENTIONED PARA ONE.

5. PEDERSEN CLAIMS HE IS "WELL OVER HALF MILLION DOLS OUT OF POCKET" PLUS TIME HE HAS FRUITLESS SPENT IN WORKING UP INDONESIAN VENTURE AND THEN TRYING TO PRESERVE IT. HE SAYS HE IS PARTICULARLY INCENSED THAT HIS FIRM HAD TO MAKE A 6 MILLION DOLS INVESTMENT COMMITMENT AND AGREE TO ABIDE BY GOI LAWS, ONLY TO SEE MITSUI MAKE NO INVESTMENT COMMITMENT OTHER THAN LOAN OF LOGGING EQUIPMENT, "RAPE LOGS", AND AVOID GOI REQUIREMENTS FOR TRAINING OF INDONESIANS AND OTHER REGULATIONS.

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6. PEDERSEN SPOKE SOMEWHAT DISPARAGINGLY OF SOELISTIO, SAYING HE WAS NOT IMPRESSED WITH SOELISTIO'S ABILITY TO GET RESPONSES FROM SOEDJARWO. HE URGED THAT EMBASSY ACT DIRECTLY TO DISCUSS FOREST PRODUCTS CASE WITH SOEDJARWO, IF SOELISTIO HAS NOT ALREADY ARRANGED APPOINTMENT.

7. IN VIEW PEDERSEN'S ESCALATION OF THIS CASE, BELIEVE IT WOULD BE PRUDENT FOR EMBASSY TO ARRANGE MEETING DIRECTLY WITH SOEDJARWO AND PERHAPS OTHER GOI OFFICIALS WHO SHOULD BE APPRISED OF POTENTIAL SERIOUSNESS OF

OVER-ALL PROBLEM, WITHOUT INDICATING ANY OPINION AS TO
THE MERITS OF ANY PARTY THERETO. EMBASSY'S ROLE SHOULD
BE LIMITED, AS NOTED PARA TWO REF A, TO OFFER OF
FACILITATIVE HELP. WE WELCOME ANY FURTHER EMBASSY ACTION
RECOMMENDATIONS WHICH SEEM APPROPRIATE AFTER TALKS WITH

GOI OFFICIALS.

9. PEDERSEN HAS SUPPLIED US WITH DOSSIER OF DOCUMENTS
POST-1973 WHICH WE WILL POUCH. INGERSOLL

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